
BUDGET PROCESS

SUMMARY

For the first time since the mid 1980s, the Congress and the President are entering a budget cycle in which there are no budget controls that are enforced through automatic spending cuts. Both the discretionary spending limits [caps] and the pay-as-you-go [PAYGO] rule for entitlement tax legislation, which were adopted in 1990 and most recently extended in 1997, are scheduled to expire at the end of the current fiscal year.

In lieu of calling for an outright extension of the caps and PAYGO, as it did last year, the administration's budget says that it will "work with Congress to develop appropriate controls to ensure funding is consistent with the proposed funding levels." It goes on to state a preference for making the budget resolution into a joint resolution, which would have the force of law, and using it to establish spending limits. It says, however, that it would also accept a simple extension of the caps and PAYGO requirements.

The focus of this year's process proposals is on increasing linkages between agency performance and funding as well as in a revised presentation of agency retirement costs.

Additionally, the administration reiterates its support for an automatic continuing resolution [CR], enhanced rescission, and biennial budgeting.

KEY COMPONENTS

- **Performance Budgeting:** The administration proposes the first of a multi year plan to tie funding decisions to agency performance. This year the administration's budget documents charge the agencies for the full costs of accruing retirement benefits. The administration is also developing a companion proposal to charge the appropriate agencies for any resources they utilize, including support services.
 - **Joint Budget Resolution:** The administration proposes converting the existing congressional budget resolution into a joint resolution that is submitted to the President for his signature or veto. It appears to view the joint resolution as an alternative vehicle for periodically setting endorsable spending and revenue limits.
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- **Line-Item Veto:** The administration proposes to reinstate some form of line item veto. In 1998, the Line Item Veto Act was enacted only to be overturned by the U.S. Supreme Court. While the administration does spell out a specific proposal, it could include a requirement under which Congress is required to vote on the President's proposed rescissions within a specified period of time.
 - **Automatic CR:** The administration proposes legislation that would trigger an interim appropriation for any agencies for which appropriations are not adopted by the beginning of the fiscal year. The idea is to prevent an agency shut down during the inevitable funding lapses of every appropriations cycle.
 - **Biennial Budgeting:** The administration somewhat downplays its continuing support of putting the budget resolution and appropriation bills on a biennial cycle. The House Budget Committee struck key biennial budgeting provisions from a budget process reform bill it considered last year.

OTHER ISSUES

- **Debt Limit:** The administration has requested an increase in the statutory ceiling on the debt. This ceiling covers both debt held by the public and debt held in other Government accounts, principally trust funds. The debt limit was last set in 1997 at \$5.950 trillion. The administration would increase it to \$6.7 trillion. Virtually all of the increase in the debt has been due to increasing surpluses in the Social Security and Medicare trust funds. Over this same period, the Federal Government has actually reduced debt held by the public by \$495 billion.
- **Triggers:** Fed Chairman Greenspan recently testified in favor of tying further tax cuts or entitlement initiatives to surplus or debt targets. In response, Senate Budget Committee Chairman Conrad pledged to include a trigger in the budget resolution.